

ISSUER COMMENT

12 February 2019

RATING

General Obligation (or GO Related) ¹

Aa1 No Outlook

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Village of East Hills, NY

Annual Comment on East Hills

Issuer Profile

The Village of East Hills is located on western Long Island in Nassau County, New York, approximately 20 miles northeast of New York City. The county has a population of 1,356,801 and a high population density of 4,733 people per square mile. The county's median family income is \$118,959 (1st quartile) and the December 2018 unemployment rate was 3% (2nd quartile) ². The largest industry sectors that drive the local economy are health services, retail trade, and finance/insurance.

Credit Overview

The credit position for East Hills is very strong, and its Aa1 rating is higher than the median rating of Aa3 for US cities. Notable credit factors include a robust financial position, a very strong wealth and income profile and a healthy tax base. The credit position also reflects an extremely small debt burden and a manageable pension liability.

Finances: The village has a robust financial position, which is slightly favorable in relation to the assigned rating of Aa1. East Hills' fund balance as a percent of operating revenues (61.1%) far surpasses the US median, but contracted significantly between 2014 and 2018. Moreover, cash balance as a percent of operating revenues (55.3%) is materially higher than other cities nationwide.

Economy and Tax Base: Overall, the economy and tax base of the village are exceptionally strong and are slightly favorable with respect to its Aa1 rating. Median family income equates to a robust 283.7% of the US level. Moreover, full value per capita (\$304,950) is materially above the US median, and increased between 2014 and 2018. Also, total full value (\$2.2 billion) is consistent with the US median.

Debt and Pensions: East Hills has an exceptionally light debt burden and is a modest credit strength in comparison to village's Aa1 rating position. Net direct debt to full value (0.5%) is under the US median, and decreased slightly from 2014 to 2018. The pension liability of the village is low, yet it is weak relative to the assigned rating of Aa1. Moody's-adjusted net pension liability to operating revenues (0.84x) is below the US median.

Management and Governance: New York cities, towns and villages have an Institutional Framework score ³ of A, which is moderate. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. New York Cities operate within a state-imposed property tax cap, which limits the ability to increase their operating levy by the lesser of 2% or CPI (before adjusting for exemptions and rollovers). However, this cap can be overridden at the local level, without voter approval. Unpredictable revenue fluctuations tend to be moderate, or between 5-10% annually. Across the sector, fixed and

mandated costs are generally greater than 25% of expenditures. New York State has public sector unions and the additional constraint of the Triborough Amendment, which limits the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be moderate, or between 5-10% annually.

Sector Trends - New York Cities

New York cities, towns and villages will benefit from the state's improving economy, although economic growth varies significantly across regions. Local governments continue to be pressured by revenue constraints, including limitations on property tax growth, flat state aid, and reliance on economically sensitive sales tax and mortgage tax revenues. Local governments will continue looking at ways to limit expense growth including contract negotiations with collective bargaining groups and shared services with other local governments. Pension liabilities are not a pressure for New York local governments due to the well-funded nature of the state run plan.

EXHIBIT 1

Key Indicators ^{4 5} East Hills

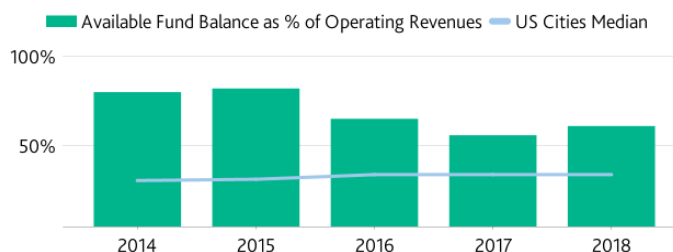
	2014	2015	2016	2017	2018	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$2,001M	\$1,923M	\$1,995M	\$2,131M	\$2,154M	\$1,867M	Improved
Full Value Per Capita	\$284,953	\$272,192	\$282,133	\$294,461	\$304,950	\$89,200	Improved
Median Family Income (% of US Median)	295%	278%	284%	284%	284%	113%	Weakened
Finances							
Available Fund Balance as % of Operating Revenues	80.1%	82.1%	65.2%	56.0%	61.1%	33.9%	Weakened
Net Cash Balance as % of Operating Revenues	74.2%	82.8%	68.7%	60.0%	55.3%	36.9%	Weakened
Debt / Pensions							
Net Direct Debt / Full Value	0.8%	0.8%	0.7%	0.6%	0.5%	1.1%	Stable
Net Direct Debt / Operating Revenues	1.57x	1.44x	1.30x	1.18x	1.00x	0.88x	Improved
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	0.3%	0.3%	0.4%	0.4%	N/A	1.8%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	0.54x	0.64x	0.73x	0.84x	N/A	1.51x	Stable
	2014	2015	2016	2017	2018	US Median	
Debt and Financial Data							
Population	7,025	7,066	7,072	7,238	7,066	N/A	
Available Fund Balance (\$000s)	\$8,152	\$8,479	\$6,859	\$5,918	\$6,891	\$7,419	
Net Cash Balance (\$000s)	\$7,554	\$8,544	\$7,230	\$6,343	\$6,233	\$8,404	
Operating Revenues (\$000s)	\$10,177	\$10,323	\$10,526	\$10,575	\$11,276	\$21,930	
Net Direct Debt (\$000s)	\$16,020	\$14,870	\$13,695	\$12,475	\$11,220	\$18,580	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$5,537	\$6,631	\$7,645	\$8,861	N/A	\$32,507	

Source: Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

EXHIBIT 2

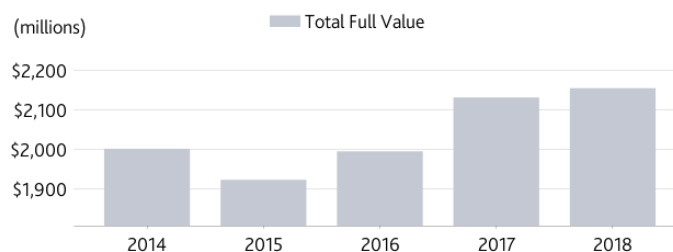
Available fund balance as a percent of operating revenues decreased from 2014 to 2018



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

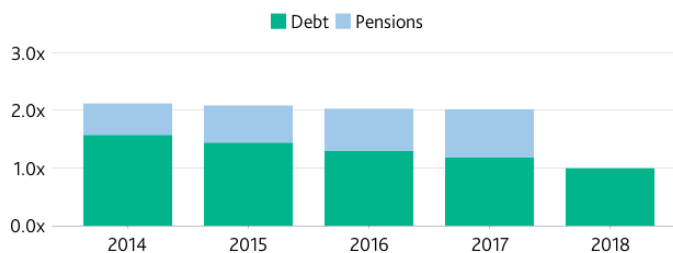
Full value of the property tax base increased from 2014 to 2018



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues remained stable from 2014 to 2017



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

Endnotes

- The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantees, enhancement programs or bond insurance.
 - The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.
- The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.
- The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(December 2016\)](#) methodology report for more details.
 - For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). Metrics represented as N/A indicate the data were not available at the time of publication.
 - The medians come from our most recently published local government medians report, [Medians - Property values key to stability, but pension burdens remain a challenge \(March 2018\)](#) which is available on Moodys.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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